



Testimony before the  
CT General Assembly Energy & Technology Committee  
on  
Senate Bill-1176  
by  
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Chairperson Nardello, Chairman Fonfara, Ranking members Witkos and Hoydick and other members of the Energy and Technology Committee: Thank you for providing time for the public to comment. I am Dan Weekley, vice president - Government Affairs and joining me today is James Martin, senior vice president - Regulatory Affairs at Dominion Resources. Dominion strongly opposes SB-1176.

As background, Dominion owns and operates the Waterford-based Millstone Power Station, as well as three (3) additional fossil-powered generating stations here in New England. The total generating capacity of all four (4) stations is roughly 4900 megawatts. In total, Dominion directly owns and operates more than 27,000 megawatts in the mid-Atlantic, Northeast and mid-Western portions of the United States.

**Millstone Background**

We purchased Millstone in 2001 through a state-sanctioned auction process. Dominion agreed to buy the facility and all associated property for approximately \$1.3 billion (\$1,300,000,000). As you may recall, due to the complexity of the sale, the transaction was reviewed by several state agencies, including the Department of Public Utility Control (DPUC), the Office of Consumer Counsel (OCC) and the Attorney General's (AG's) office.

As we have testified on many occasions, Dominion shareholders, not Connecticut ratepayers, have invested roughly \$600 million (\$600,000,000) in addition to the acquisition price in order to increase margins of safety, attain greater efficiency and improve reliability at Millstone. Particularly with respect to safety, our investments to date have exceeded the minimum requirements of regulations.



Thanks to our proven safety track record, we have offered technical assistance to the Japanese Government to help them with their ongoing nuclear emergency. Millstone Unit 1, which was permanently retired in 1997, is a similar design to the affected Japanese facility.

From an operational perspective, our investments are clearly working. The station is approximately 30% more reliable today than it was under the previous state-regulated jurisdiction. This increased output is roughly the equivalent of building an additional 650-megawatt power station. Millstone today is among the most reliable and important generating stations in New England. It is also both carbon and emissions free.

Finally, we are proud of the fact that we purchase approximately **\$200 million** of good and services annually from vendors based in Connecticut, and we are actively involved in the state through charitable and community giving. Most notably, last month we donated \$1million to Connecticut's Operation Fuel Fund for the development of a new job retention program.

#### **Senate Bill-1176**

Now let me turn to turn to SB-1176, specifically Section 1. This bill imposes a significant new punitive energy tax on CT baseload electricity generators. It calls for a \$.02 per kilowatt-hour tax on all electricity produced at Millstone along with varying tax rates on oil and coal-based generation.

The General Assembly and Governor Malloy have committed to reducing electricity prices for all consumer classes. SB-1176 will have the opposite effect -- without question it will result in a long term price increase for all consumers because the majority of energy supply in New England is sold via contracts, and all new costs, including this confiscatory tax, must and will be included in the contract price. Furthermore, the bill will reduce fuel diversity -- which has long been a goal of the State and this committee -- by increasing reliance on generation from natural gas. It is worth noting that other states have considered similar generation tax proposals and none have enacted them due to the likely adverse impact on ratepayers despite the fact that those proposals included much lower rates than those envisioned by SB-1176. Simply put, this bill will send a message across the country that Connecticut is closed for business.



### **Contracting**

According to ISO New England, the regional non-profit wholesale power entity, approximately 75% of all the power delivered in New England is via "bilateral contracts." As the name suggests, bilateral contracts are entered into by a willing seller and willing buyer with fixed terms and conditions.

Examples of these types of bilateral contracts are the "Standard Offer" service provided by the state's utilities. CL&P and UI procure power for electricity by means of state audited bids. In this type of full-service bid, the seller or provider of electricity to the utility must include all costs associated with the supply of electricity. Examples of costs include fuel, overhead, labor and benefits, risk, and of course, taxes. Utilities, as well as municipal and competitive electricity suppliers incorporate taxes into the bid price

Even though Dominion's Millstone Power Station sells almost all of its output through longer term bilateral contracts, these contracts are constantly being negotiated. If SB-1176 were to move forward, Dominion, like any other responsible generator would have to include the costs of this confiscatory tax scheme in future supply contracts.

It should be further noted even though these contracts are "forward-looking" fixed price agreements; it is not uncommon to reopen the arrangements when the seller incurs a material change beyond its control. This punitive tax proposed in SB-1176 would constitute just such a material change.

### **Reliability and Fuel Diversity**

As I previously explained, Dominion has invested approximately \$600 million in safety and reliability improvements at Millstone, leading to a dramatic turnaround in performance at the station. The 30% improved reliability equates to approximately 650 megawatts of additional emissions-free generation -- a truly remarkable achievement.

Without question, safety will always be our highest priority. However, this type of punitive tax policy will plainly limit any further investment in reliability or expanded operations. The station currently employs 1200 people with an average yearly compensation of \$146,000 including salary and benefits. Expanding operations would mean more high paying jobs for Connecticut -- a prospect made nearly impossible by this bill.



It is remarkable to think that the state would consider limiting investment in an existing emissions free and carbon free power station when we aspire to expand environmentally friendly generation. And let me be clear – other clean sources of energy are far more expensive than nuclear power. Moreover, unlike Millstone, which operates nearly around the clock providing baseload power, other emissions free options cannot always be counted on when they are needed the most.

### **Other State Taxation Policies**

No other state in the country has imposed any tax similar to the one contemplated by SB-1176. The federal government and a handful of other states, including Maryland, New York, New Hampshire, California, and Vermont have considered generator or other types of specific energy taxes as a way to reduce rates. All have come to the same conclusion: *No matter how well-intentioned, taxes on electricity immediately and directly harm the consumer.*

The New Hampshire legislature debated a generator tax just last year, although the tax rate in the New Hampshire proposal was substantially less than the one at issue here – just \$.0055 per kilowatt-hour. After much debate, legislators reached the obvious conclusion – the tax would raise -- not lower – rates, and the bill was defeated.

### **Fairness of Tax Policy**

In a just system of taxation, all taxpayers should be treated equally and fairly. SB-1176 fails that test. The bill discriminates among generation by different fuels and even goes so far as to tax some entities only during certain times of the year.

Connecticut is already considered one of the most anti-business states in the country. To his credit, Governor Malloy is seeking to change that reputation, proclaiming that “*CT is Open for Business.*” This legislation runs counter to that claim in several respects:

- First, it proposes a new tax that other states have already rejected
- Second, it disproportionately burdens one major business in an apparent attempt to help solve the state spending problem. Dominion will be required to pay more than \$300 million in additional taxes – not exactly



what Governor Malloy intended when he called upon businesses to  
*"share in the pain..."*

- Third, this tax will ultimately be passed onto the ratepayers
- And finally, this bill offers our citizens the false hope that that electricity rates will significantly decline in the near future.

### **Conclusion**

In summary, Dominion supports the goal of the General Assembly and the Governor to reduce energy prices. However, any type of "net generation" tax will have the opposite impact -- ultimately increasing prices without any intrinsic benefits.

**For these reasons, Dominion strongly opposes this bill, and Connecticut ratepayers should as well.**

Thank you again to all the members of the General Assembly for the opportunity to provide comments. We look forward to working with all parties on these and other issues in the future.